
FEDERAL ENERGY REGULATORY COMMISSION

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NEWS RELEASE

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ER98-1261-000 and ER98-1685-
000

COMMISSION SETS 11.60 PERCENT RATE OF RETURN FOR CALIFORNIA UTILITY

The Federal Energy Regulatory Commission today set aside an earlier administrative law judge decision and approved an 11.60 percent rate of return on equity for Southern California Edison Company. This represents the full amount that the company had requested.

In a case that grew out of California's restructuring of the electric industry, the Commission addressed the utility's rates for service on transmission lines under the control of the California Independent System Operator (CAISO) and concluded that a return on equity of 11.60 percent based on a traditional rate of return analysis for electric utility companies was appropriate.

Chairman James J. Hoecker said: "Today's action is a clear signal, not that the Commission plans to abandon its basic methodology for setting equity returns, but that we do not want regional transmission organization policies to penalize the financial health of electric transmission owners. To the contrary. For utilities that commit early to implement the Commission's vision of the bulk power market—including the consumer benefits of competition over the wires—the rules will be more certain and liberalization in key financial areas is more likely, in my view."

Last year, the Commission reopened the case to further develop the record on the rate of return issue. At that time, the Commission explained that with the opening of

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transmission lines initiated with Order No. 888, and continued restructuring in the electric markets, utilities might be exposed to certain risks associated with the operational transfer of their transmission facilities. As a result of the additional analysis it received, the Commission said it was confident that it had the most current information necessary for today's findings.

R-00-61

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